

GOVERNOR'S BUDGET EXECUTION POLICIES
FISCAL YEAR 2004

1. **Scope and Applicability.** The Governor's Budget Execution Policies and Instructions shall apply to *all means of financing* appropriated and authorized by Act 200/03 (the General Appropriations Act), as well as other specific appropriations authorized for expenditure in FY 04 by the 2003 Regular and Special Sessions of the Legislature, or other legislative session.

Expenditures authorized for the capital investment cost category shall be subject to applicable policies and procedures in Executive Memo (E.M.) No. 97-07, "*Procedures for Requesting the Implementation of Capital Improvement Projects*" (dated June 19, 1997), as amended by provisions herein, and other applicable guidelines and requirements of general law.

2. **General Statement of Policies.** State agencies shall implement appropriation acts dealing with operations of State government in conformance with the purpose of such acts, and shall carry out such purposes efficiently, effectively, and with due respect to the financial condition of the State, and all applicable laws.
 - a. Oversight and control shall be executed in accordance with Part II of Chapter 37, HRS; Section 37-74, HRS; and other applicable legislation and statutes.
 - b. Departments shall plan program operations and expenditures for the fiscal year at levels necessary to accomplish program goals within allocation ceilings approved for the department, pursuant to Part II of Chapter 37, HRS (Allotment System).

Total expenditures and total positions designated for each program in each fiscal year shall not exceed the sums and number appropriated or authorized, and allocated by me, except as otherwise provided by law.

- c. Expenditure plans shall be developed within allocated amounts consistent with legislative requirements and executive priorities. These plans shall be prepared and submitted to the Department of Budget and Finance (B&F), according to **Attachment B**.
 - d. Program reports of affected activities, attainments, and expenditures corresponding to proposed allocations by allotment periods shall be submitted according to **Attachment B**.
 - e. FY 04 departmental Requests for Allotments (Form A-19) shall reflect quarterly allocations for the full year (including actual first quarter allocations) by program ID, and Means of Funding, as described in **Attachment B**, except as otherwise provided.

- f. Special fund expenditure plans shall include estimates of transfers to the general fund as required by Sections 36-27 through 36-30, HRS (or as otherwise provided by law), for the payment of various assessments for departmental special fund central services and administrative expenses. Such assessments should be within allocated appropriations and treated as first charges against the respective funds, unless otherwise specified. Transfers shall be made to the general fund on a quarterly basis.
- g. As appropriate, every effort shall be made to utilize authorized federal and other non-general revenue resources to provide services which meet similar objectives of programs for which State funds are authorized. All such non-general fund expenditures, however, must be within amounts appropriated and allocated, except where otherwise authorized by law. (*See section on "Federal Funds" in this attachment for further guidelines.*)

All agencies receiving federal funds for operational purposes shall review such operations for possible changes in anticipated federal or other grants. It is not to be assumed that State funds will replace any reduction in federal or other grant funds; nor should it be assumed that State funds will be increased to qualify for increases in available federal matching funds. Program need and statewide priority must be demonstrated.

- h. Act 77, SLH 2002, mandates the implementation of improved energy efficiency in State facilities. Specific implementation guidelines and instructions will be issued separately to effectuate its provisions. Until superseded, current E.M. No. 96-01 (Fiscal and Energy Management), E.M. No. 00-02 (Energy Conservation), and Section 103D-410, HRS, shall continue to be used by program managers to ensure that energy usage is appropriate and necessary.
 - i. The implementation of program budgets shall be consistent with the overall theme, goals, objectives and policies of the priority guidelines contained within applicable approved functional plans, and as contained within Chapter 226, HRS.
- 3. **Allocations.** Exhibit 1 contains your department's full FY 04 allocation and position ceilings from Act 200/03, including first quarter allocations already approved and collective bargaining allocations.
 - 4. **Funds Subject to Allotments.** All means of financing appropriated or authorized by the Legislature for FY 04 shall be subject to the allotment process as provided by Section 37-33, HRS. Unencumbered allotment balances at the end of each allotment quarter shall revert to the related appropriation account, except for the Department of Education (DOE) pursuant to general law, as otherwise provided by specific statute, pursuant to Section 37-40, HRS, or by procedures specified in Attachment B with respect to trust funds.

5. **Allotment of Funds to Private Agencies and/or Specific Appropriations**

- a. Appropriations for grant, subsidy, purchase of service agreements, or specific appropriations, shall be subject to the allotment system generally applicable to all appropriations made by the Legislature.
- b. Expenditure of appropriations for subsidies, grants and other specific appropriations shall require my prior approval through B&F. Act 200/03 appropriations shall be initially reported in column 10 of Form A-19 at the start of the fiscal year. With my approval, amended A-19s shall be submitted to reallocate approved funding levels from column 10 to the appropriate quarter. Form A-19s for specific appropriations shall be submitted after receiving my approval to expend.
- c. Funds to private agencies shall not be allotted where it has been determined that the private agency has not complied with qualifying provisions and procedures of Chapters 9, 42F, 103D, or 103F, HRS, as applicable.

6. **Deficiency Spending Prohibited.** There shall be no expenditure of funds in excess of amounts appropriated and allotted, nor shall agencies establish positions in excess of numbers authorized and allotted, unless otherwise provided by specific legislation, and as provided elsewhere in these instructions.

7. **Lapsing of Funds.** Operating funds appropriated for FY 04 not expended or encumbered as of June 30, 2004, shall lapse on that date, except as provided for DOE, or as otherwise provided by law.

8. **Delegation by Department Heads.** As permitted by applicable general laws, department heads may delegate authority to approve expenditures covered by this memo, which have been deemed to be within the director's authority, to one appropriate designated deputy, officer or manager in the director's respective department. The Comptroller of the Department of Accounting and General Services (DAGS) must be notified of such delegation in writing.

Delegation for procurement authority shall be in accordance with Chapter 103D, HRS, and Subchapter 3 of Chapter 3-121, HAR.

9. **Federal Funds.** All departments receiving federal funds for operations and capital improvement projects (CIP) should not assume that State funds will replace the loss of any federal-aid money, nor should it be assumed that State funding will be increased to qualify for increases in available federal matching funds.

- a. Pursuant to Section 129 of Act 200/03, when the Legislature is not in session, my prior approval is required to: 1) increase a program's federal fund ceiling as authorized by the Legislature, and 2) expend such amounts that are in excess of authorized levels.
- b. Federal Fund Deposits. All federal funds received by departments shall be deposited into the State Treasury unless otherwise provided by federal funding conditions or specifically exempted from this provision by competent authority acknowledged by the Director of Finance.
- c. Recovery of Indirect Costs and Fringe Benefits from Federal Grants and Contracts. State agencies administering federal grants and contracts shall pursue the recovery of indirect costs and fringe benefits. Federal payments shall be deposited into the general fund. (Source code 0579 and the department's alpha code should be used.)

10. Special and Revolving Fund Receipts and Expenditures

- a. All special and revolving funds must have been authorized and appropriated by law in order to be expended.
- b. Authorized and appropriated special and revolving funds can only be expended up to levels (receipts) available in such funds.
- c. Special and revolving fund expenditures authorized in Act 200/03 and other specific appropriations, are limited to amounts appropriated, and allocated by me, except as otherwise provided by law.
- d. Appropriated special and revolving funds authorized by law to expend in excess of appropriated amounts, shall require my prior approval before making such expenditures. All requests for such expenditures shall be reviewed and approved by the Department of the Attorney General (AG) before submittal to me through B&F.

11. Trust Funds

- a. Pursuant to Section 37-40, HRS, expenditures of trust funds are permitted up to levels of available receipts, except as otherwise provided by law, or except as limited by conditions of the trust agreement or fund.

Section 37-33, HRS, allows the Director of Finance, as required, to prescribe regulations for controlling expenditures and encumbrances of funds which have not been appropriated on a regular basis.

- b. Trust funds **appropriated** in Act 200/03, which an agency seeks to expend in excess of authorized appropriation levels, shall require my prior approval before making such expenditures. All requests for such expenditures shall be reviewed and approved for consistency with appropriate statutes by the AG, before submittal to me through B&F.
12. **Reimbursements from Federal or Other Funds.** All federal or other fund reimbursements shall be deposited into the general fund or the appropriate fund account that provided the original advance funding, except as otherwise provided by law. Expenditure of reimbursements without legislative or statutory authorization or appropriation may be considered to be in violation of Sections 37-31 and 37-42, HRS.
13. **Gifts or Private Contributions to Programs.** Where specific special, trust, revolving or private funds have not been established for such purposes, agencies shall be responsible for demonstrating that such authority is consistent with applicable statutes and appropriate expenditure provisions of the State Constitution, and must receive my approval prior to the receipt and expenditure of such contribution or gift, unless otherwise provided by law.
14. **Manpower Control.** Only authorized budgeted positions may be considered for establishment and filling (regardless of the means of financing), unless otherwise provided by law.
- a. **Position Allocation Ceilings.** The number of authorized full-time equivalent (FTE) positions which may be established and filled by each department shall not exceed the total number **allocated** to each respective department, by means of financing.
- b. **Establishment and Filling of Positions/Vacancies**
- b.1 The establishment and/or filling of all current and future position vacancies shall require my prior approval through B&F. This shall apply to:
- All permanent and temporary vacant positions regardless of means of financing, including exempt positions and CIP-funded positions.
 - All positions created by general law or specific legislation which are not authorized in Act 200/03.
 - Non-general-funded programs where the conditions of funding, or enabling legislation allow or require the establishment and/or filling of positions in excess of authorized position ceilings.

- Extensions of all exempt positions and all exempt appointments pursuant to Sections 76-16(b) (2), (12), (15), HRS, beyond their not-to-exceed (NTE) date.

b.2 Exceptions. My approval will not be required for the establishment and filling of vacancies in the following programs and/or under the following conditions:

- Filling of positions that are 100% federally funded, or 100% funded by non-appropriated trust funds.
- Filling of authorized positions in the University of Hawaii (UH), DOE program staff in EDN 100, EDN 150, and EDN 400, and the Hawaii Health Systems Corporation (HHSC).
- Filling of Public Safety Correctional Facilities staff positions.
- Filling of positions in Child Protective Services.
- Filling of Hawaii State Hospital staff positions.
- Filling of Hawaii Youth Correctional Facility Staff positions.
- Filling of Department of Health and DOE positions mandated by the *Felix* Consent Decree.
- Granting of temporary assignment to existing employees.
- Filling of student hire positions in UH, DOE, the Hawaii State Public Library System (HSPLS), and other specific student hire exemptions approved by the Director of Finance in FY 03.
- Establishment and filling of positions pursuant to Section 76-16(b)(5), (7), (9), and (16), HRS.
- Filling of civil service positions identified for Reduction-in-Force placements, and/or for placements of disabled employees.
- Filling and/or extensions of *blanket* authorizations approved by me as exceptions to E.M. No. 02-07 (Vacant Positions). Documentation should be provided to B&F and/or Department of Human Resources Development (DHRD), upon request.

b.3 All vacancies permitted to be filled must be funded within currently approved departmental allocations.

- b.4 Proposed actions to establish, or extend authorized positions that are exempt from civil service pursuant to Section 76-16(b) (2), (3), (10), (12), (13), and (17), HRS, shall require the prior review and approval of DHRD before submission to me through B&F.

First deputy and deputy attorneys general identified in Section 76-16(b)(10), and “*Felix*” consent decree positions exempted in 14 b.2 above, are excluded from only DHRD’s review requirement.

- b.5 Procedures for Approval. All position requests requiring my approval for filling shall be submitted in the attached memo format (**Form B**).
- c. Position Variances. Program positions should be of the same position classification series described in BJ details of the approved budget. Any variance from such authorization must be supportable by appropriate justification or legislative authorization, and must be consistent with policies in Administrative Directive (A.D.) No. 90-13, dated February 5, 1990, and as further provided herein.
 - c.1 Department heads are delegated the authority to change a position’s classification series (position variance) where the cost difference is no more than 20% above the authorized budgeted amount.
 - c.2 My prior approval through B&F is required for requests to change a position’s classification series where the cost difference exceeds 20% of the authorized budgeted amount.
 - c.3 Other requests to implement position variances from authorizations in Act 200/03 (the General Appropriations Act), as authorized in general law, or in any other Act of the Legislature, shall also be submitted to me for review in the manner prescribed above, to ensure consistency with program and legislative intent.
- d. Other General Provisions
 - d.1 Each department shall provide for the most efficient and economical use of manpower.
 - d.2 Departments shall limit and monitor the use of overtime for each month. Monthly program reports shall be made available to B&F, upon request.
 - d.3 All positions and/or personnel-related costs shall be funded within currently approved departmental allocations.

- d.4 Reporting Requirements. Quarterly updates of department vacancies shall be submitted to B&F as provided in **Form A** (with instructions).
- e. UH, DOE (including HSPLS), and HHSC, are exempt from provisions of b, c, and the quarterly reporting requirements of this part.

15. **Transfer of Positions and/or Funds**

- a. Unless otherwise provided, **Section 133** of Act 200/03 authorizes, with my approval, the transfer of same means of funding, between operating appropriations within an expending agency for operating purposes.
 - a.1 Other provisos in Act 200/03 authorize transfers under certain conditions. To the extent possible, anticipated transfers should be identified in full-year expenditure plans and A-19s.
 - a.2 All requests for transfer authorization shall require my prior approval through B&F.
 - a.3 All requests for transfer shall include appropriate references to authorizing sections or statutes.
 - a.4 See No. 23, "Allotment Balances/Transfer of Funds," for other allotment limitations.
 - a.5 Specific transfer authority and responsibilities have been delegated to the UH and HHSC (special funds) pursuant to provisions of general law.
- b. **Section 134** of Act 200/03 allows the **transfer of positions** within a department or agency provided that total position ceiling allocations are not exceeded, there is no change in the authorized means of financing of the position count, and such transfers do not conflict with, or circumvent other related laws.
 - b.1 All requests for transfer authorization shall require my prior approval through B&F.
 - b.2 Transfer requests shall include appropriate references to authorizing sections or statutes.
 - b.3 See "Allotment Balances/Transfer of Funds," for other allotment limitations.
 - b.4 Proposed and actual transfers of vacant positions should be identified in the quarterly vacancy report.

- b.5 HHSC (special funded positions) and the UH are exempt from these provisions where specific transfer authority and responsibilities have been delegated to those agencies by general law.

16. Contracts

- a. All contractual funding agreements are contingent on the availability of funds. Departments should exercise caution in negotiating contracts with funding obligations that extend beyond the fiscal year.
- b. Procurement of all approved goods, services, or construction shall comply with applicable provisions of Chapters 103D or 103F, HRS, guidelines and directives issued by the AG and DAGS, as applicable, and any other pertinent requirements of statute, regulation, rule, order, or other directive.
- c. Financing Agreements
 - c.1 The applicability, scope and guidelines governing financing agreements may be found in E.M. No. 96-17, *Implementation of Act 119, SLH 1996, Relating to Municipal Leases*, dated November 15, 1996, and Chapter 37D, HRS.
 - c.2 Prior approval of the Director of Finance and the AG must be obtained before implementation of financing agreements subject to Chapter 37D, HRS (for either CIP or operating costs, regardless of amount or MOF), not yet executed.
 - c.3 The sale, assignment, refinancing, or other disposition of any lease subject to Chapter 37D, HRS (including certificates of participation), shall require the prior approval of the Director of Finance.
 - c.4 Act 200/01, established a centralized Master Lease financing program to include a line-of-credit financing option, for the purchase of depreciable assets (such as equipment and motor vehicles) at favorable tax-exempt rates. Separate instructions on implementation of this program shall be issued at a later date.
 - c.5 UH and HHSC shall comply with provisions of Section 37D-2, HRS, as applicable.
- d. Consultant /Personal Services (All MOF) shall be transmitted to me, through B&F, for my prior approval.

“Consultant services” means services of an advisory nature relating to the governmental functions of agency administration and management, and program management. Persons and/or organizations that are considered to have knowledge

and special abilities not generally available within the agency provide these services. Such services normally include a report of recommendation(s) to the agency.

“Personal services contract” means a contract that, by its express terms or as administered, makes the contractor personnel appear, in effect, State employees, and there is established an employer-employee relationship.

Exceptions. Authority is delegated to department heads to make the following expenditures, unless applicable to “financing agreements” in item 11c above:

- d.1 Initial requests for consultant or personal services where total projected costs will be not more than \$25,000.
- d.2 The request is not an amendment to any previous or existing contract.
- d.3 Medical services contracts.
- d.4 Legal services contracts approved by the AG.
- d.5 Personal services contracts for expert witnesses for the AG.
- d.6 Engineering and architectural services for Repair and Maintenance projects funded as operating costs.
- e. Audit contracts shall be subject to DAGS’ procedures, under Comptroller’s Circular No. 1994-02, and do not require my prior approval, except when departments elect to delegate such functions to DAGS under conditions of **Section 135** of Act 200/03, which requires my approval to transfer funding for such audits.
- f. Design consultants are subject to the provisions of Chapter 103D, HRS, as amended by Act 52/03, and Subchapter 7, Chapter 3-122, HAR. Pursuant to Act 52/03, design and/or professional services furnished by licensees under Chapter 464, HRS, shall only be procured pursuant to Section 103D-304, HRS (excluding the small purchase process), or Section 103D-307, HRS.
- g. Engineering, architectural and other consultant/personal services contracts **related to CIP implementation** shall be subject to my review via the regular A-15 allotment approval process.
- h. Hawaiian Home Lands employee contracts exceeding six years pursuant to Section 202(b), HRS, shall be submitted to me through B&F for approval.

- i. Extension of Contracts Still in Effect. Requests to “extend” contracts which have expired are not permitted. Departments intending to extend current contracts must obtain approval to do so before the contract expires.

Departments anticipating contract extensions should submit such requests not less than one month before the contract’s expiration date. If a contract expires before an extension has been approved, departments shall initiate a new procurement process to enter into a new contract.

- j. Reports shall be made available to B&F, upon request.
- k. Exemptions from Chapter 103D, HRS, requirements are identified on DAGS’ State Procurement Office (SPO) website:
“www2.Hawaii.gov/spo/exempt103d.pdf”

17. **Travel**. The following procedures and guidelines shall apply:

a. **Out-of-State**

Approval for out-of-state travel for departmental personnel is delegated to department heads, within parameters of available funding, program necessity, and other applicable statewide travel policies.

b. **Intra-State**

Approval for all intra-state travel is delegated to department heads, within parameters of available funding, program necessity, and other applicable statewide travel policies.

- c. Departments shall continue to comply with DAGS’ travel rules and procedures.
- d. Reports of all travel shall be made available to B&F, upon request.
- e. Department heads shall notify my chief of staff of any out-of-state travel to be taken by them.

18. **Information Systems Technology (IT) and Telecommunication (TC) Services, Facilities and Resources**. All IT and TC services, facilities, and resources are functions of the Information and Communication Services Division (ICSD) of DAGS, under the authority of the Comptroller.

- a. DAGS shall have general supervision and control over the acquisition and utilization of IT and TC facilities and resources within the Executive Branch and may grant exemptions from A.D. No. 77-02, as amended, and A.D. No. 87-01, as amended.

Note: A.D. No. 77-02 was amended by E.M. No. 1993-11 (delegation of IT and TC personnel actions), dated December 14, 1992, and E.M. No. 1994-08 (delegation of certain computer hardware and software acquisitions), dated August 31, 1994, and was clarified by Director of Finance memorandum dated October 18, 1994. A.D. No. 87-01 was clarified by Director of Finance memo dated February 1, 1993 (Department of Education), and August 31, 1994 (cellular and pager equipment).

- b. Applicable statutory provisions, such as Chapters 103D, 76 and 77, HRS, are still to be observed by departments and agencies, as applicable.
- c. All IT and TC consulting services and all other IT and TC related services must obtain A.D. No. 77-02 and A.D. No. 87-01 approval from the Comptroller.

Only IT or TC related consulting service requests that have been approved and/or cleared by the Comptroller shall be submitted to me through B&F for my approval, in accordance with item 11 as provided herein.

Note: The required review and approval by the Comptroller pursuant to A.D. No. 77-02 or A.D. No. 87-01, shall be conducted and completed by ICSD. ICSD requires at least two work weeks advance time to complete its review and recommendation.

- d. Departments or agencies contemplating acquisition of any IT or TC facility, service, hardware or software must plan the acquisition project as required by A.D. No. 77-02 or A.D. No. 87-01.
 - e. Ongoing IT services, such as hardware or software maintenance, should be considered as operational expenses and shall not require A.D. No. 77-02 or A.D. No. 87-01 approval, but shall comply with applicable provisions provided herein.
 - f. Other IT or TC products or services that are not operational expenses and are not included within A.D. No. 77-02 or A.D. No. 87-01 policy and procedures, shall require prior approval by the Comptroller to assure compliance with the State's strategic direction for IT/TC, as are all acquisitions of IT/TC items.
19. Lease/Rental of Office Space. Section 171-30, HRS, provides DAGS with the responsibility for any lease, rental, or other acquisitions of privately-owned office space for use by State departments or agencies. Departments shall submit all requests (new, ongoing, or amended) through the Comptroller under procedures established by DAGS. Pursuant to Comptroller Memo No. 1994-28, "*Office Space Leases in Non-State-Owned Buildings*," all requests for new leases, expansion of existing office space and new requests tied to federal mandates, must comply with this requirement. These requests will require the Governor's approval, and there shall be no exceptions

to this requirement. All requests shall be submitted with current organization charts, other appropriate staffing documentation, and rental/lease costs, to justify the cost-effectiveness of additional space requirements.

20. **Risk Management and Insurance Program.** Except for UH, Comptroller Memo No. 89-06 (dated February 15, 1989) provides guidelines and shall govern departmental procedures with respect to the operations and implementation of a comprehensive State risk management and insurance program.

Comptroller's Memo No. 1999-28 (dated September 23, 1999), provides that individual agencies shall be responsible for funding costs of risk management benefits received under Chapter 41D, HRS. Departmental budgets include funding for estimated allocable risk management costs, regardless of means of funding. Pursuant to procedures described by Comptroller's Memo No. 1999-28 and **Section 137** of Act 200/03, agencies are reminded to transfer funds budgeted for risk management costs to AGS 203 (Risk Management) for administration and implementation.

21. **Procurement of Goods, Services, or Construction**

a. **Hawaii Public Procurement**

- a.1 Except for UH, all departments and agencies delegated the authority to purchase by the Chief Procurement Officer shall be in compliance with Chapter 103D, HRS, and its applicable rules in Chapters 3-120 to 3-132, HAR, as issued by the Procurement Policy Board.
- a.2 Other exemptions from Chapter 103D, HRS, requirements are identified on DAGS' SPO website: "www2.Hawaii.gov/spo/exempt103d.pdf"
- a.3 All departments and agencies shall be in compliance with Chapter 103F, HRS, and its applicable rules in Chapters 3-140 to 3-149, HAR, as issued by the Procurement Policy Board.
- b. **Price and Vendor Lists.** All departments and agencies, except UH and DOE, are required to purchase their requirements for goods and services from SPO issued price and vendor lists, unless otherwise noted (e.g., Western States Contracting Alliance price and vendor lists). The UH and DOE may enter into a cooperative agreement to procure from SPO price and vendor lists.
- c. "Parceling" as defined by Section 103D-305, HRS, is strictly prohibited. Section 103D-305, HRS (prohibition against parceling), provides that "*procurement requirements shall not be artificially divided or parceled so as to constitute a small purchase under this section.*"

- d. Department heads are delegated the authority to purchase budgeted equipment, motor vehicles, or supplies (except for computer-related purchases, which are subject to DAGS/ICSD policies), **costing no more than \$25,000, within limits of available allocations.**
- e. Except as otherwise provided, all purchases shall be governed by DAGS' guidelines and procedures.
- f. **Equipment.** "*Equipment*" is tangible property of a more or less permanent nature (other than land or buildings and improvements thereon) that is used in an operation or activity. Examples are machinery, tools, furniture and furnishing, and certain vehicles such as farm tractors, mowing machines, and plows required for the performance of program tasks. For budget purposes, "*equipment*" **excludes** general-use motor vehicles such as trucks, cars, and buses, which are covered under "*motor vehicles.*"
 - f.1 Requests to purchase equipment under A.D. No. 77-02 or A.D. No. 87-01 (relating to IT and TC services, facilities and resources) shall: 1) obtain preliminary approval from ICSD; then 2) submit such request to me for my approval through B&F.
 - f.2 Approval of single purchase orders of equipment totaling less than \$25,000 may be delegated to department heads pursuant to "d" above as long as such purchase orders are consistent with Section 103D-305, HRS, prohibition against parceling.
- g. **Motor Vehicles.** For budget purposes, "motor vehicles" include "passenger cars," "pickup trucks," "sports wagons," "vans," "buses," or any self-propelled vehicles designed for carrying or transporting passengers and/or property, and generally drawn upon a road or highway.

Heads of purchasing agencies are delegated authority to procure motor vehicles, pursuant to Chapter 103D, HRS, subject to the following:

- g.1 **Oahu and Maui:** All passenger cars, leased or purchased, new or used, shall require Comptroller's approval. Review for approval shall consider vehicle type, size, and availability from DAGS Automotive Management Division (DAGS-AMD) motor pools.

Hawaii and Kauai: For passenger cars purchased for these islands, agencies shall submit an annual listing of vehicles purchased during the fiscal year for review by the Comptroller for compliance with paragraph g.4 below.

- g.2 Passenger vehicles shall conform to the standard specifications and criteria issued by **DAGS-AMD**. *Exceptions to the standards shall require Comptroller's review and approval.*
- g.3 Specifications for other than passenger vehicles, including exceptions to the DAGS-AMD standards, shall be the responsibility of the individual purchasing agency.
- g.4 Used motor vehicles require the approval of the head of the purchasing agency and, for passenger vehicles only, the approval of the Comptroller as provided above.
- g.5 Used motor vehicles acquired from the SPO Surplus Property program are not subject to Chapter 103D, HRS, but shall comply with **g.4** provisions above.

22. **Request for Allotment of Funds (Operating)**

- a. Within departmental fund allocations, department heads will be allowed to implement legislatively authorized new programs or to improve existing services *authorized under Part II of Act 200/03, and other specific appropriation acts, or* which are consistent with program budgeting guidelines and objectives pursuant to Section 37-74, HRS.
- b. Appropriations used for the initiation of **authorized** new programs or for the improvement of existing services or which are consistent with Section 37-74, HRS, will be reflected in the operational expenditure plan, where these items shall be separately identified in the narrative portion of the expenditure plan. All authorized new programs, or improvement to existing programs planned for implementation by the agency, must be within allocation ceilings, and supported by appropriate evaluations or justifications.
- c. Program appropriations authorized under Part II of Act 200/03, or by other specific appropriation measure, and not planned for implementation in the fiscal year, will be reflected in the restricted column on both the operational expenditure plan and Request for Allotment (Form A-19). (See **Attachment B** for guidelines and procedures.)
- d. Full-year program operational expenditure plans and A-19s should show accounts by "10" (payroll) and "20" (others), *which must coincide with updated BJ details of Act 200/03, or with provisions of the authorizing specific appropriation, as applicable.*

23. **Allotment Balances/Transfer of Funds.** Requests for Allotment (Form A-19) and Requests for Transfer of Funds (Form A-21) will be used as appropriate, for adjustments of program allotment accounts. As applicable, agency requests for the transfer of funds shall be submitted to me for approval through B&F. All such requests must be accompanied by a written justification stating the nature and reasons for the transfer, including its legal basis. Unless otherwise provided by other specific proviso in Act 200/03, **Section 133** limits such transfers to operating funds between appropriations with the same means of financing within an expending agency.
- a. Anticipated A-21 transfers shall be identified in the full-year expenditure plans.
 - b. Provisions of this section shall not be limited to transfers made under Section 133, but shall apply to any transfer of funding between any agency or program authorized in Act 200/03, including all means of financing, except for UH and special fund appropriation transfers in HHSC authorized by general law.
24. **Transfer of Vacation Credits.** Pursuant to Section 78-23(b), HRS, transfer of funds representing accumulated vacation credits shall be made only when an employee is transferred between government jurisdictions as defined by Sections 78-1.5 and 76-11, HRS, or between positions within the same jurisdiction which are financed by different funds (means of funding). Transfer of vacation funds shall not be made when the employee transfers between positions within the same jurisdiction, and if the transferred employee's salary is to be paid from the same fund. Vacation transfer funds are considered to be realizations to the general fund or the respective non-general fund.
25. **CIP expenditures.** In general, departments are directed to consult guidelines and instructions in E.M. No. 97-07, "*Procedures for Requesting the Implementation of Capital Improvement Projects*," dated June 19, 1997. The following updated and/or amended guidelines shall also apply:
- a. Except as specifically authorized by legislative proviso, means of financing authorized for CIP described in Section 77 of Act 200/03 may not be changed or substituted by other means of financing or by funding appropriated for other cost categories, without legislative amendment, or as otherwise provided by law.
 - b. General Obligation (G.O.) bond- or general-funded capital improvement projects described in **Section 77** of Act 200/03, and requiring supplemental funding, shall utilize funds transferred pursuant to the provisions of **Section 111** before requesting supplemental allotments from available project adjustment funds as provided by Sections 112 and 113.
 - c. Expenditure Plans. CIP Expenditure Plans for Appropriations or Authorizations (Form C) shall be submitted in two parts for my review and approval through B&F.

c.1 (Form C - Part I): CIP Requiring Allotments in FY 04.

- Departments with CIP appropriations must submit a CIP six-year (FY 2003-05, through FY 09) expenditure plan listing **all authorized projects that departments plan to request allotments for in FY 04**, including projects submitted by the Executive, and projects added by the Legislature. This expenditure plan should also include projects authorized by prior Acts still in effect, which expect to allot funding in FY 04.
- Projects should be listed in order of departmental priority (No. 1 being the most important, etc.).
- Legislative projects identified in **Part I** should include a separate explanation for each project providing background information on the project, and an explanation of the need to be funded in FY 04 (Form C-Ia). Project requests requiring additional information may be included in Part II and submitted later for review and approval.

c.2 (Form C - Part II): CIP Not Requiring Allotments in FY 04.

All other current CIP appropriations and/or authorizations not listed in Part I should be identified on this form.

- c.3 **Lump sum projects** should be broken down by individual project requests, in both **Parts I and II**.
- c.4. Any existing report format that contains the required information may be submitted; otherwise, the sample format (**Forms C – Parts I and II**) should be used.
- c.5 These expenditure plans will serve as the basis for approving requests for allotments, CIP-related contracts, etc., and shall be submitted to B&F no later than Tuesday, September 30, 2003.
- d. Expenditure plans for CIP projects funded by special funds, G.O. with debt service costs to be paid from special funds, revenue bond funds, or revolving funds, shall include projected six-year financial plans for the respective fund responsible for cash or debt payments.
- e. All allotment requests must be consistent with the departmental expenditure and appropriate financial plans.
- f. **CIP Allotment Procedures**. The following shall be observed for requests to allot funds.

- f.1 The summary departmental listings required under **No. 25c** above shall be submitted to me through B&F for my review and approval. Departments shall be notified of projects approved for FY 04 implementation.
- f.2 Projects approved for implementation shall then be individually submitted directly to me for my approval, as the need to implement arises.
 - Approved copies of the request and Allotment Advice (AA) shall be submitted to B&F.
 - A copy of the approved AA (with Governor's facsimile stamp) shall be submitted to DAGS, Uniform Accounting and Reporting Branch (UARB).
- f.3 Projects not originally included and approved in **Part I**, and requests to use the Governor's Project Adjustment Fund (PAF) pursuant to **Section 113**, shall be individually submitted to me for my approval, through B&F.
- f.4 AA numbers shall be requested from DAGS-UARB. Requests for three or more numbers must be done via fax. The AA number and the anticipated date of Governor's approval shall be typed on the AA prior to submitting the request.
- f.5 New appropriation symbols for new cost elements, delegation, or PAF requests shall be requested from DAGS-UARB in writing. The appropriation symbols shall be typed on the AA prior to submitting the request.
- g. Grants. In addition to my approval pursuant to 25c, the following procedures shall apply to all CIP appropriations to private organizations:
 - 1. The expending agency shall enter into a contract with the private organization as required by Chapter 42F, HRS. The contract shall provide that the State be reimbursed a pro rata share of the facility costs (monetary or pro rata share of the facility) should the private organization cease to satisfy the specified public purpose.
 - 2. The executed contract must be submitted to DAGS' Preaudit Branch and will be used to encumber allotted funds.
 - 3. The private organization should request payment through the expending agency as work progresses on the project.
 - 4. State funds will be disbursed to the private organization by DAGS warrant vouchers from expending agencies, with supporting documentation of work completed.

5. The expending agency shall monitor compliance with Chapter 42F, HRS, and the public purpose and legislative intent of the grant.

h. CIP Lapsing. All funding for CIP described in Section 77 of Act 200/03, unencumbered and/or unexpended as of June 30, 2006, shall lapse as of that date, except for: a) non-general funded authorizations which are denoted as necessary to qualify for federal aid financing and reimbursement, and which have been so designated by the Legislature; and b) State Educational Facilities Improvement (SEFI) funded projects requiring more than three years for implementation.

i. Private Activity Bonds (PAB)

Private entities and/or activities funded by G.O. and/or G.O. reimbursable (G.O.R) bond funds must meet appropriate Internal Revenue Code (IRC) requirements to preserve the tax-exempt status of interest on such bonds. Expending agencies responsible for such authorizations shall ensure that such requirements have been met.

Form PAB must be completed for every project funded by G.O. and G.O.R. bonds listed in your expenditure plan, and are to be submitted with you department's CIP Expenditure plan.

26. Operating Program and Expenditure Reports

- a. Quarterly vacancy reports shall be submitted no later than 14 days after the end of each quarter.
- b. Quarterly reports for the DOE and UH shall be submitted as provided by general law.

27. Other Administrative Reporting Requirements

- a. Programs that have revenues from federal sources that are affected by the Federal Balanced Budget Reconciliation Act of 1978, Jobs and Growth Tax Relief Reconciliation Act, and other federal FY 04 appropriations shall report such changes in the quarterly updates of Program Revenue Details.
- b. Program and departmental responses to provisos in Act 200/03, requiring the development, performance, completion, or reporting of studies, reports, findings, evaluations, updates, notifications, and plans, to the Legislature or appropriate authority shall follow requirements of the proviso, and procedures outlined in the "*Legislative Guidelines*," dated August 2003, issued for the executive branch for the Regular Session of 2004 of the 22nd State Legislature.

The following sections in Act 200/03 require some kind of report, study or evaluation: Sections 5, 10, 11, 12, 14, 16, 18, 19, 21, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 45, 46, 47, 48, 49, 54, 55, 56, 57, 58, 60, 61, 69, 70, 72, 109, 110, 111, 112, 113, 117, 128, 129, 133, 134, 138, 139, 140, 141, 142, and 144.

- c. Act 100/99 requires every department develop and submit a report on the department's goals and objectives; policies; action plan; and timetable to meet those goals; and the process to measure achievement and performance. Section 7 of Act 100 provides detailed reporting requirements. Three copies of the report should be submitted to the Governor pursuant to the Governor's deadline for legislative reports.

28. **Submission Requirements and Due Dates**

- a. Full year operating A-19s and expenditure plans shall be submitted to B&F no later than **Tuesday, September 30, 2003**.
- b. The CIP "Expenditure Plan," pursuant to No. 25c, shall be submitted to Governor through B&F no later than **Tuesday, September 30, 2003**.